DOCUMENT RESUME

ED 240 888 HE 016 822

TITLE Managing Higher Education in the 80s: Trying to Do More with Less. Touche Ross Roundtable.
INSTITUTION Touche Ross & Co., New York, NY.
PUB DATE 83
NOTE 42p.
PUB TYPE Viewpoints (120)

EDRS PRICE MF01 Plus Postage. PC Not Available from EDRS.
DESCRIPTORS Administrators; *College Administration; *Declining Enrollment; Federal Aid; *Financial Problems; *Governance; Higher Education; *Leadership Responsibility; *Productivity; Retrenchment; Teacher Role; Technological Advancement; Tuition

ABSTRACT

Issues concerning the management of colleges and universities are considered in a roundtable discussion. It is suggested that higher education may be at a decisive juncture with respect to demographics, finances, institutional structure, and the political context. Attention is directed to the decline in the number of 18- to 22-year-olds and the projected increase in foreign student enrollment. In considering the financial setting of higher education, the level of tuition charges at public and private colleges and the problem of reduced federal aid are addressed. Additional topics include: the role of faculty in the governance of colleges; the leadership roles of the trustees, president, deans, and faculty; and the potential for new technologies to increase productivity in higher education. The following individuals participated in the roundtable discussion: Benjamin H. Alexander, John Brademas, Edward B. Fiske, Ellen V. Futter, Harry G. Judge, Martin Meyerson, Jack W. Peltason, Irving Redel, and James E. Seitz. (SW)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

MANAGING HIGHER EDUCATION IN THE 80s: TRYING TO DO MORE WITH LESS

ED240888

"PERMISSION TO REPRODUCE THIS MATERIAL IN MICROFICHE ONLY HAS BEEN GRANTED BY

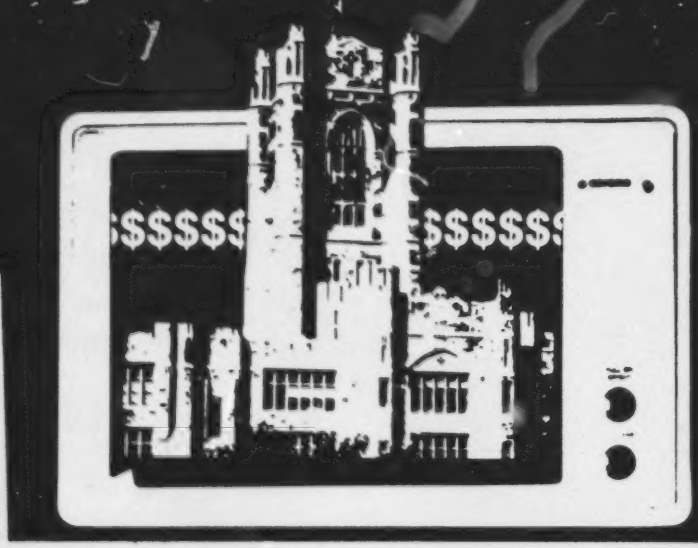
Touche Ross Roundtable

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)."

U.S. DEPARTMENT OF EDUCATION
NATIONAL INSTITUTE OF EDUCATION
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

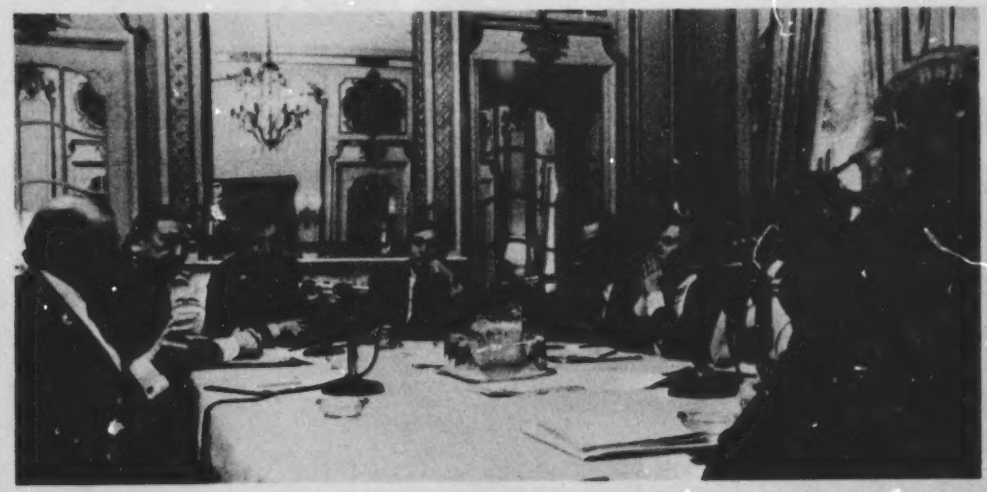
- ☑ This document has been reproduced as received from the person or organization originating it.
- ☐ Minor changes have been made to improve reproduction quality.

• Points of view or opinions stated in this document do not necessarily represent official NIE position or policy.



HE 016 822

Touche Ross Roundtable



INTRODUCTION

Touche Ross believes the future of our country lies in the education of our young people and, toward this end, has actively supported our institutions of higher learning. We believe, further, that we have a public responsibility to work with educators and other professionals to advance the quality of education at all levels.

Utilizing both the professional and financial resources of our 85 offices throughout the United States, Touche Ross contributes to a wide spectrum of programs, including student financial aid, minority education, academic research and professional journals.

In addition, by applying appropriate management techniques to academia, we have sought to become a productive partner with college and university administrators to both improve the operation of their institutions and secure their financial viability.

It is in this context that we have established forums, such as this scholarly roundtable on "Managing our Institutions of Higher Education in the '80s: Trying to do More with Less" for discussion of key issues confronting our educational system.

It is our hope that the exchange of ideas presented here will point the way to new — and much needed — directions in managing our colleges and universities and, thereby, help to secure the educational future of all our children.

EDUCATIONAL ROUNDTABLE PARTICIPANTS

BENJAMIN H. ALEXANDER
Former President, University of the District of Columbia (1982-83)

President, Chicago State Univ. ('74-'82);
Acting Chief, National Institute of Health ('71-'74)
Administrator, HSMHA.
B.A., Univ. of Connecticut; M.S. Bradley Univ.
Ph.D. Georgetown Univ.

JOHN BRADEMAS
President, New York University (1981-Present)

U.S. Representative, D.-Indiana, ('58-'80), Majority Whip ('76-'80)
Board Member: NYSE, Rockefeller Foundation, RCA, Loews Corp., Scholastic, Inc.
B.A. Harvard Univ., Rhodes Scholar; Ph.D. Oxford Univ.

EDWARD B. FISKE
Education Editor, New York Times (1974-Present)

Religion Editor, Times Rome Bureau Chief ('67), ('68-'74)
TRENTONIAN and PACKET ('62-'63);
Author, *Selective Guide to Colleges.*
Trustee, Wesleyan Univ.
B.A. Wesleyan Univ.; M.A. Princeton Theological Seminary; M.A. Columbia Univ.

ELLEN V. FUTTER
President, Barnard College (1981-Present)

Acting President, Barnard ('80-'81)
Attorney, Milbank, Tweed, Hadley & McCloy ('74-'80)
Trustee, Barnard; Director, Squibb Corp., Regional Plan Assoc., Milbank Memorial Fund.
A.B. Barnard; J.D. Columbia Univ. School of Law.

HARRY G. JUDGE
Director, Department of Educational Studies,
Oxford University (1973-Present)

Principal, Banbury School ('67-'70)
Headmaster, Banbury Grammar School ('62-'67)
Various Teaching Posts ('54-'62)
Professorial Fellow and Tutor for Admissions, Brasenose College.
Graduate, Brasenose College. Oxford Univ.

MARTIN MEYERSON
President Emeritus, University of Pennsylvania (1981-Present)

President, Univ. of Pennsylvania ('70-'81)
Chairman, Univ. of Pennsylvania Foundation;
President, State Univ. of N.Y./Buffalo;
Acting Chancellor Univ. of California/Berkeley.
A.B. Columbia Univ.; M.C.P. Harvard Univ., Wheelwright Fellow.

JACK W. PELTASON
President, American Council on Education (1977-Present)

Chancellor Emeritus, Univ. of Illinois ('77-Present)
Chancellor, Univ. of Illinois ('67-'77)
Dean, College of Liberal Arts & Sciences, Univ. of Illinois ('60-'64)
Trustee, Institute for American Universities (France)
M.A., Ph.D., Princeton Univ.

IRVING REDEL
President, Redel Trading Co., Inc. (1971-Present)

Governor and Treasurer, New York Commodities Exchange.
Board Member of all principal N.Y. Commodity Exchanges;
Member Advisory Board, Columbia Univ. Futures Center.
B.A. New York Univ.

JAMES E. SEITZ*
Partner-in-Charge, Touche Ross New York
(*Roundtable Moderator)

Board Member: Touche Ross & Co., Touche Ross International,
Member: Citizens Budget Commission/NYC; N.Y.C. Partnership,
Center for the Study of the Presidency,
Governor's Commission on Children of Alcoholics,
Regional Panel for Selection of White House Fellows.
B.A., M.B.A., Univ. of Michigan, C.P.A., C.M.C.

THE HIGHER EDUCATION ENVIRONMENT

MR. SEITZ: An overview of the environment faced by American colleges and universities in the balance of the Eighties and early Nineties suggests that higher education may be at a decisive juncture with respect to demographics, finances, institutional structure and the political context.

"...higher education may be at a decisive juncture with respect to demographics, finances, institutional structure, and the political context."
Jim Seitz

The number of 18 to 22 year olds in our population will decline by 25 percent by 1994. This trend is not consistent from one region of the country to another as the Northeast and Midwest will be hit harder than the South and Southwest.

There are also indications that we will have a continued increase in foreign student enrollment, perhaps doubling in the next ten years.

Finally, some feel people might not be as interested in higher education in the future as they were in the past.

How does each of you see this?

DR. PELTASON: Your generalization about the overall demographics is accurate. We know that the total supply of 18 to 24 year olds will be down, but that factor is only one of the variables which determine how many people will go to college. At the high school level, the total supply of students of the right age is probably 99 percent of the explanation of how many will go to high school. But at the college level, other things have to be taken into account – the college-going rate, the retention rate, for example.

I have seen no indications that people are becoming disillusioned with education. We are moving into a time of a knowledge explosion. The emphasis is on continuing education, life-long learning. True, there will be fewer young people, but I don't see the desire for formal education falling off. On the contrary, education is the biggest growth industry in the United States today.

"...education is the biggest growth industry in the United States today."
Jack Peltason

MR. FISKE: One thing in the overall decline which we have also got to look at is different sectors. The birth rate among whites has been going down a lot faster than among Blacks, which in turn is faster than among Hispanics. The problem is really a little worse from a demographic point of view than overall statistics would show because the decline is greater among groups that have traditionally gone to college.

MS. FUTTER: The initial comments Mr. Seitz made were largely on target. It is somewhat exacerbated in the sense that not only is the number of 18 year olds reduced, but also the number of 18 year olds who actually graduate from high school is reduced. For a selective private institution, for example, you really are only appealing to a very narrow sliver of students who even qualify.

DR. BRADEMAS: There has been a substantial decline in the number of students going to private colleges and universities as a percentage of all students going to institutions of higher learning in this country. The dropoff has been quite sharp in the last generation or so. Figures I have seen show the proportion of total student enrollment in private colleges and universities declined from about 50 percent in 1945 to just over 20 percent today.

DR. PELTASON: That is correct but that is not because the number of students in private schools decreased but because of the big expansion of public education.

DR. BRADEMAS: I understand that. There are, of course, important public policy implications in all that. I was present at the University of Notre Dame, in my old home congressional district, when President Reagan gave the commencement address there in May 1981. He made a ringing plea for private colleges and universities. The anomaly of course is the policies he pursued in terms of student assistance have had the effect of further diminishing the ability of students to go to higher-cost programs.

Given the decline in total potential college students, given the rising spread in tuition cost generally between public and independent institutions, the competition for students will obviously become more intense.

DR. PELTASON: I represent both the public and independent sector, so I am sensitive to the concerns of all kinds of institutions. What Dr. Brademas said is accurate and his apprehensions are certainly justified for the future. But I would not want to give the impression that the independent sector is disappearing. What happened was that most of the expansion of educational need took place in the public sector. At the moment there are also more students in independent colleges than ever before. Our concerns are about what is going to happen. And this year, for the first time, we are looking at some absolute declines in overall population in independent institutions.

"There has been a substantial decline in the number of students going to private colleges and universities as a percentage of all students going to institutions of higher learning in this country."
John Brademas

DR. MEYERSON: Let us recognize that there are selective public and private institutions that are going to have, by their usual standards, a smaller world, a smaller population to draw upon. Leading public universities, private universities and private colleges will be hard hit unless some very dramatic changes occur.

DR. PELTASON: Before we get too specific in our discussions, I think we should focus on the overall demand for education, education of all kinds. We now use the term post-secondary, although some still prefer higher education. The advantage of the term post-secondary is that it helps us remember that the traditional liberal arts, four-year residential experience is only one aspect of our post-high school educational programs. What is apparently happening, at the moment, is that the demand is going down for four-year liberal arts residential-type education on the part of the traditional-age students.

But even this projection about the future should be accepted with some skepticism. We certainly cannot extrapolate that the college-going rate of 18 to 24 year olds will increase to 100 percent. But what we do not know is how that rate will go up or down among the various parts of our population. The white male college-going rate appears to be stabilizing or going down. The rate for black male students is going up. What will happen to the Hispanic rate is more difficult to project. There are likely to be more foreign students. As to the demand for education among the adult students, it is going to increase, although I think there is some wishful thinking about this market. In short, we do not really know what the total demand for education is going to be. Moreover, we do not know how successful those who administer higher education will be in adjusting to these changing educational demands.

"In short, we do not really know what the total demand for education is going to be....
Jack Peltason

DR. JUDGE: The British system is, of course, significantly different from yours.

First, there is of course no distinction between public and private institutions because the private sector effectively does not exist in higher education. On the matter of demand, it is true in Britain and Europe as in the States that the gross number of 18 to 21 or 22 year olds will have declined. That tells us nothing in Britain about the volume of likely demand.

Also, we have a very interesting inversion of your situation. The phrase is the differential fertility rate. What this means is that the middle classes are having lots of children and the working classes are not. Therefore we shall have a one class

society by the end of this century. And what that means, therefore, when you project it onto the demands of 18-plus students for higher education is that although the number in total is going down, the volume of present demand is not going down and indeed is likely to rise. So there are all sorts of questions about the demographic and sociological map which lies behind demand.

Second, as to whether education was or was not going down the market, there has been doubt in Britain in the 1970's because we have a very precise measure of this, called the Age Participation Rate – the number of 19 year olds on a chosen date who were listed in full-time business. That figure dropped by about one percent through the 1970's. That is alleged to reflect some disenchantment with what higher education was offering, because there were no financial or other reasons why it should have gone down. It did make it very easy for the present government in Britain to cut higher education quite severely on the good market argument that if people did not want it, what was the point in providing all this expensive stuff?

Third, is a very interesting countercyclical feature of the British scene at the moment. If we look at Post-Secondary which to us really means after 16 or 17 rather than after 18, then youth unemployment is now sending those figures rocketing up. The one great function of the economy which the education business has is to provide for those who cannot get employment. It is the cheapest form of custodial care that has yet been invented. With unemployment, the Age Participation Rate is going up again.

Finally, is how this enterprise gets funded. Tradition in Britain since the Second World War, the equivalent of the GI Bill and all the rest of it, is that if you want a place in higher education, you are entitled to full public support, in effect, a salary.

MS. FUTTER: We glossed over the question of disillusionment or lack thereof in higher education, and I think it's very critical to the basic question of demand that we are considering. We went through a period nationwide where the understanding was that a college degree was a carte blanche to a certain type of professional opportunity. We have turned the corner on that and I think now during a period in which the liberal arts are quite genuinely under siege, a degree is viewed, at best, as a sine qua non, but no longer a carte blanche.

"...there is, of course, no distinction in England between public and private institutions because the private sector effectively does not exist in higher education."

Harry Judge

One of the things to begin to consider though is what will be the perception of higher education in the years immediately ahead and then looking further down the road, with the realization that, as technology, computer literacy, mathematics and related issues become increasingly important, the gap between those who have a college and graduate education and those who do not will become more marked. That being the case, there may indeed be a greater urgency and importance to having that next level of education. Therefore, having, or not having, the degree that evidences reaching that level may very well affect the level of demand.

"...as technology, computer literacy, mathematics and related issues become increasingly important, the gap between those who have a college and graduate education and those who do not will become more marked."

Ellen Futter

THE FINANCIAL SETTING OF HIGHER EDUCATION

MR. SEITZ: I believe it is appropriate now for the panel to consider the financial setting and condition of our institutions of higher learning.

We observed in the 1970's a fairly constant level of tuition charges at our colleges and universities. That was at least in part achieved through the deferral of maintenance and minimal increases in faculty salaries. In fact, educators were one of the less successful professions in terms of economic reward.

"Recently, we have witnessed substantial increases in tuition in both public and private institutions, far beyond the rate of inflation."
Jim Seitz

Recently, we have witnessed substantial increases in tuition in both public and private institutions, far beyond the rate of inflation. Private colleges and universities raised tuition and fees by an estimated 13.6 percent this past academic year, down slightly from the 15 percent average of the 81-82 academic year. Increases at the public institutions have varied from state to state. For example tuition and fees went up by 54 percent at the University of Washington, 46 percent in Idaho, and 24 percent in California.

In addition, all of these institutions have the problem of cutbacks and threats of further cuts in federal aid. Some observers view this trend toward regular tuition increases as permanent. Others see these past large increases as aberrations.

How would each of you describe the financial setting faced by our institutions of higher learning today – both public and private?

"We have become tuition-driven institutions and this creates a tremendous divisiveness in some states between private and public institutions."
Martin Meyerson

DR. MEYERSON: Among the private institutions, the increases have been great. You have had increases for example from a $2,000 – $2,500 a year tuition and fee level in the mid-Sixties to levels that are $8,000 and $9,000 today. This is not true for some of the smaller, and particularly church-related, institutions. But there has been this gigantic increase and indeed, in the private sector, there has been the matter even of gifts, and much more dependence upon tuition. We have become tuition-driven institutions and this creates a tremendous divisiveness in some states between private and public institutions. Some argue that if higher education is a public purpose why should that public purpose for some have to come from these fantastically high tuition and fee levels, where for others that is not the case. These

differences in the next few years are apt to grow. But what you have not done is to go back to the point of what causes the costs and who pays, and ought to pay, those costs.

DR. PELTASON: There is no such thing as a free education. It is paid for. We pay for it as federal taxpayers, as state taxpayers, as private donors, or by fees and tuition.

However, it needs to be emphasized that during the last decade the resources allocated to higher education from all sources have not kept up with the costs to provide that education. Therefore, all institutions are under financial strains and are not being as well supported now as they were ten years ago.

"...during the last decade, the resources allocated to higher education from all sources have not kept up with the costs to provide that education."
Jack Peltason

DR. MEYERSON: We have managed to keep costs down, by passing on to the future certain expenditures that should have been taken care of currently. You alluded to a key one: maintenance. The physical plant of American colleges and universities over the last 15 years has not been maintained. The second and more important way in which we have managed financially is to lose many of the gains that the American faculty had made over half a century. We had gotten back in the late Sixties to a comparative standard of living for professors that resembles what they had before World War I. In a steady erosion from the late Sixties on, that advance has almost vanished. We have gotten to a situation where, for example, a young lawyer here in New York City right out of law school will get a job with a leading law firm that will pay more than a beginning fully-tenured teaching position after six or seven years on a major American law school faculty. Similarly, there are now 2,000 engineering posts in American colleges and universities that are unfilled, partly because salaries are so low. When you add the lack of replacement of scientific equipment you come up with a dismal view. We have managed financially in most cases but we have managed by reducing quality over the last 15 years. In the period of the previous 15 years we had been doing the very reverse.

MS. FUTTER: It has always been my conviction that American education really represents both an individual's and the country's best chance. Whether you believe that we have higher education for the purpose of social mobility, to train the future leadership, or just to cultivate and enhance an educated citizenry, the fact is that we do look to higher education to do one or more of those things. What we are really confronted with is a situation where we have not reduced the social assignments for higher education, though

we have trimmed the resources available to it to perform those assignments. This country really has to decide how significant is higher education, put a priority on it, and give it the resources that it needs to carry out its objectives.

DR. ALEXANDER: We are the problem, I feel. When a coach can make more than a president, and a professor can make less than a bus driver, and when a boxer in one fight can make more than 240 presidents earn in a year, something is wrong with our commitment to higher education. On a financial setting of prospects for every institution, public and private, it is poor right now and it is poor because we as leaders have not spoken out as to why it should not be that way. If we are going to advance, say, in the technological areas, we will need more physicists, engineers, etc. At the rate tuition is going up, institutions are going to eliminate a great majority of poor and middle income people who have just as much brain power as high income people. Education is essential if we are going to be the number one country in the world. We should pay for education because it will return many benefits.

DR. JUDGE: The thing that came out very clearly, and I admired in every sense when I was looking at the American Graduate Schools of Education, is the best are in competition with one another which means delivering high quality at the lowest price at which you can market it. You have got built into the system a tension. These places need to be competitive with one another and that to an observer seems a more realistic and healthier way of approaching the problem.

MR. SEITZ: You're suggesting we do have a competitive environment in education and that is obviously very true. Today, about 80 percent of all undergraduates and graduate students attend public colleges and universities. Essentially you are saying we have state institutions competing against other state institutions, and with public money.

DR. JUDGE: And against other private institutions.

MR. FISKE: One of the things that is also going on is a major shift away from need-based scholarships. In the Fifties this country adopted a pattern where scholarships would be based on demonstrated need, and this assured a fairly efficient use of overall resources. We now have a situation where the system as a whole in that first sense is desperate for money, and colleges are using an increasing percentage of the assets they have to compete with each other for the best students.

"At the rate tuition is going up, institutions are going to eliminate a great majority of poor and middle income people."
Benjamin Alexander

"...colleges are using an increasing percentage of the assets they have to compete for the best students."
Edgar Fiske

In micro-terms, from the point of view of a single institution, it makes a lot of sense because getting good students and faculty members boosts your reputation, makes you more competitive. On the other hand it is really a shifting of deck chairs because of the assets available in the system as a whole.

DR. MEYERSON: In the competitive situation we are in, there is deep concern that those students who get the highest SAT scores or become National Merit Scholars are going to few institutions. There is a growing push to buy those students by giving them scholarships not based on need.

This is going after the students of the high predictability of academic success, which is exactly the pattern that we had a generation ago.

I would say that is part of a move in the United States away from that sense of equitable distribution of resources that had been our mark over several decades, but also part of an admirable move to reward merit.

DR. ALEXANDER: But, is it good or bad?

DR. MEYERSON: It is good for the institution that attracts those students. Is it good for our national well-being? What is it in our national pattern we want to achieve?

DR. PELTASON: My answer is that the competition among institutions for quality students is a good thing. We do not need, or want, governments allotting students by income or educational ability among institutions. And if institutions offer some scholarships on the basis of merit, it helps avoid a situation in which all the academically talented students go to one kind of institution. On the other hand, it could go too far if it started to undermine our need-based system of financial aid and deprive some students of the funds they need to get an education. I see the recent trend to award some scholarships on the basis of strictly merit as merely icing on the cake. I do not see it as a major countermove away from a need-sensitive system.

"...the competition among institutions for quality students is a good thing."
Jack Peltason

MS. FUTTER: We are talking about bringing these institutions to a threshold level where they can begin to compete and I think that that is really the dilemma that we are in today. When you hit that threshold then the competition becomes something that enhances the diversity in higher education and pluralism in higher education in the United States, which is all to the good.

FACULTY

MR. SEITZ: We all know that one of the major problems being faced by all universities today is the pirating of faculty between institutions and recruitment from outside of the educational environment into industry. I would like your thoughts about the role of faculty in the governance of your institutions. We talked about institutional structure. We now should talk about other areas, including the tenets of "publish or perish" – the question of tenure and faculty evaluation.

DR. MEYERSON: Gains in the faculty's standard of living that have eroded over these last years, as we discussed, are a given that we have to recognize. We also have to recognize that the American faculty has aged greatly. We have not been adding the young people that provide their special vitality to academic life. Newer institutions have obviously been adding people, but when you look across American higher education the rate of increase in faculty has been slender. In subject area after subject area where we need the impetus that comes from bright young colleagues, we just do not get that impetus anymore. Around the country, the students who were getting highest honors at a variety of leading state and private institutions had as their great aim to be like their teachers. Their mentors were their professors and they meant to be professors. But now, those ablest students are not choosing professional careers at all and are becoming MBA's. Saddest of all, as resources become scarcer, we find faculty moving in to protect their own turf just to make sure they do not lose that opening in their department to another department. It has led to an atmosphere in a fair number of colleges and universities that is not the collegial pattern that we historically admired.

All of this has created an atmosphere that makes it less attractive for the best young minds in the United States to want to be faculty members.

DR. PELTASON: Dr. Alexander said he found it strange that, in this country, football coaches and rock stars earn more than faculty members. We also have distinctions between faculty members, where those in professions where there is market competition – such as engineering, medicine, and law – get paid more than those in English or history. So the notion that there is something called "the faculty" and all members of it have similar salaries and opportunities is also changing.

"...the American faculty has aged greatly. We have not been adding the young people that provide their special vitality to academic life."
Martin Meyerson

MR. SEITZ: Does it take us more and more away from liberal arts and closer to technological employment?

DR. PELTASON: It is the liberal arts faculty that helps hold a campus together. It is that faculty we are talking about who have a different set of problems from the faculty in the professional schools.

"It is the liberal arts faculty that helps hold a campus together."
Jack Peltason

MR. FISKE: Do you see that happening within the liberal arts, outside engineering, computer sciences and the traditional ones like medicine?

DR. PELTASON: Twenty years ago there were no great disparities within the liberal arts faculty between disciplines. I suspect that mathematicians and chemists got to be full professors sooner than literature and history professors, but when they got there they were all treated about the same. I suspect that, today, greater disparities are to be found inside the liberal arts faculty between the various disciplines.

DR. MEYERSON: All the pressures are moving that way, and from two directions: not only in terms of salaries that people get within the institution, but also in terms of outside salaries. We had a tradition in recruiting faculty for the great American law schools that brilliant lawyers would be willing to give up the added income that they would get in law practice. Not only have salary differences become magnified between practice and the academic world for law, but something else is the case: law firms encourage young associates to go to seminars, give lectures, write papers, engage in public interest law. When lawyers write papers, engage in public interest law – when law firms do this – suddenly some of the virtues of being at a law school vanish and bright lawyers go to work for the law firms and have some of the same perks that they have in the universities.

In the arts and sciences, various institutions are also trying to steal the stars.

DR. BRADEMAS: We are in a situation now at New York University where we have been having to retrench in our School of Education because of the decline in the demand for schoolteachers. The retrenchment has been planned, it has been self-conscious, it has been painful, in a faculty where the percentage of tenured professors is very high indeed, making it all the more difficult. Yet, from time to time, I read a piece by Ted Fiske, or somebody, in *The New York Times* or elsewhere

saying the country is going to run short of schoolteachers before long. There is, therefore, the question of being able to have on hand the faculty in those fields where there will be a demand for students. We sold off our Engineering Department, years ago, for reasons that seemed rational. Some say "Wouldn't it be nice if we had such a department today?" But you cannot snap your fingers and pull together a whole faculty for a particular discipline, because it takes time to build one up.

MS. FUTTER: You used the word retrenchment. I think that as institutions begin to consider how to go about a process of contraction in a thoughtful, sensible kind of way, they are going to confront some pivotal issues. They will wish to go about it from the standpoint that makes the most sense programmatically and that allows them the broadest flexibility in terms of bringing in young faculty as well as retaining senior faculty. In doing that, they may well come up against some major issues regarding tenure. Shirley Hofsteder has come out with an interesting new proposal concerning tenure. It is the notion that people be tenured for a period of ten years, and then reevaluated. I have not studied this, but I think it suggests ideas like this are being brought forth.

MR. SEITZ: Do you suppose the business community, the governmental community and even the accounting fraternity have done an enormous disservice to educators by insisting that everything is a function of one-year budgeting and planning? In fact, you are really in a long-term phenomenon, yet we seem to insist upon thinking in terms of increments of one year.

DR. MEYERSON: No, universities are poor institutions in which to do long-range planning, for certain important reasons. By not being hierarchical in the same sense that a business firm is, we have had to change by addition, not by substitution. When we have wanted to alter an educational institution, we would add a program. This was true from the end of World War II into the late sixties. During the last 15 years, we have had to try to change by making substitutions. It is not in the lack of long-range modeling and planning that there has been the problem, but rather in a faculty democracy. The reluctance to agree to giving up an existing program in favor of a new and evolving one.

MR. FISKE: We have been praising their great, amorphous, highly-varied system of higher education and saying how it is

"...universities are poor insitutions in which to do long-range planning."
Martin Meyerson

hard for the system to get its act together for planning, but this has always been true.

DR. BRADEMAS: I was in California two weeks ago, holding hearings as chairman of the graduate education subcommittee of the National Committee on Student Financial Assistance. What struck me as we listened to people in Silicon Valley from knowledge-based industries, from graduate deans in the arts and sciences, as they tried to explain to us why their ablest graduates were being siphoned off into industry rather rapidly instead of going into university careers, was that beyond the magnet of money was the fact that the equipment which is necessary for a budding young scientist and/or engineer to use to do serious research has become so out-of-date on the university campus. The idea of moving into an industry where they have the latest and the best is just a terrific attraction.

"I feel strongly that in a university, only a few should have tenure. Everybody should have a contract."
Benjamin Alexander

DR. ALEXANDER: On tenure, I know it is the greatest handicap we have in academia to getting good people. You have people at the university who are tenured; they look upon that as being their job for life. After 10 or 15 years, they get tired and they stop publishing and teaching the way they used to and use notes they had five or six years ago to teach without annually updating them. They become lackadaisical. I feel strongly that in a university only a few should have tenure. Everybody should have a contract.

DR. PELTASON: I dissent strongly. One of the factors that attracts people into the academic world is the opportunity to live a comfortable, dignified life. Salaries are not large, but once tenure is acquired, faculty members are under no pressures to do only those things that have immediate payoffs. They can engage in research projects over a series of years. They can reflect and acquire new knowledge. They can spend time with students. They do not have to meet a daily "bottom line." This is one of the great attractions of being a tenured faculty member.

"I dissent strongly."
Jack Peltason

DR. ALEXANDER: Evaluate and judge them and keep them if they are good; if they are not good, get rid of them.

DR. PELTASON: If you ask a lot of people why they went into university work rather than into industry, where they could make more money, they would say it was because of the opportunity to reflect and not to have to be evaluated on that kind of day-by-day basis that they anticipate in the marketplace.

DR. ALEXANDER: Is that good or bad though?

DR. PELTASON: It attracts the kind of person into the university world that is interested in writing a book on philosophy or political science, discovering something or working out a problem, that might not produce an immediate payoff.

DR. ALEXANDER: The facts do not show that. Most of the faculty who have been teaching for 10 or 15 years do not publish the way they published earlier. Moreover, they do not prepare the way that they once prepared class lectures.

MS. FUTTER: There's a dimension to all this that we have not talked about. That is the question of have we been successful in communicating a sense of prestige to being a faculty member in the United States today. It used to be that the tenure system implied some dimension of prestige. Now that's very much under fire. It used to be that the financial differential was less significant than it is now. It used to be that we had some sense of some kind of "eminence grise."

DR. MEYERSON: Jim Seitz, you are a partner in one of the few sets of economic activities that has tenure, along with a few law firms and others. What observations do you have as to how this process functions where people, after a number of years, if they have done well, become a reasonably permanant member of your organization?

MR. SEITZ: Either fortunately or unfortunately your assumption is erroneous. There is no such thing as tenure in public accounting firms; there is no such thing as tenure in law firms. Partnership is not forever any longer and we are all evaluated on a regular basis. The mechanism for removing a partner from the firm is somewhat complicated, but I can assure you it happens.

DR. ALEXANDER: There are some few faculty who attempt to keep us from bringing in young, bright people as faculty members who would come, but we cannot bring them in because we have tenured people who have passed their stage of productivity.

DR. BRADEMAS: My thesis is that for the first time in a long time – what I am saying crosses the philosophical divide between the world of the descriptive and the normative – in the presidential election of 1984, education may be a major

"My thesis is that for the first time in a long time...in the presidential election of 1984, education may be a major issue."
John Brademas

issue. When I say education, i do not mean that solely in the narrow sense of how much money Uncle Sam votes to put into education. I say it for two reasons: First, awareness is rising that we are in deep trouble in our economy and in our national security posture, and a major rationale for increased federal support of education is that we are not going to be able effectively to get on top of either of these two fundamental challenges unless we invest more in education. You cannot spend $1.6 trillion over the next five years on the defense budget and do it without scientists, managers, technicians, engineers and all the rest. Nor can we solve our economic problems both domestically and abroad, which more and more fuse, without increased brainpower.

The second point is that Ronald Reagan is the first President since Eisenhower, of either party, to have broken with the bipartisan tradition of federal support for education, particularly higher education. It is not that Congress is making it an issue: the President is making it an issue, and it is therefore politically significant that all of the major Democratic presidential candidates are talking about education in their speeches. I am not talking about quality of life, I am not talking about individuals' enhanced incomes; I am talking about economic survival of the country and national defense. If we do not put more into education, we are in very serious trouble.

DR. MEYERSON: We may find in this next presidential election, unless some miracle occurs in the reduction of the unemployed that the re-training of the entire American labor force will be an issue.

"We may find in this next presidential election...that the re-training of the entire American labor force will be an issue."
Martin Meyerson

MANAGEMENT OF INSTITUTIONS OF HIGHER EDUCATION

MR. SEITZ: Does the education environment we discussed lead to a situation that suggests different approaches to management are in order? I do not believe you can simply suggest that techniques of business management can be transposed into the academic community. Indeed, we in business might learn a bit from universities.

We ought to look at effectiveness of management as opposed to efficiency of management, and talk about what we mean by "leadership," what we mean by "management" and what we mean by "administration" of a university. Who are the leaders of the universities? Are they boards of trustees; presidents; heads of various colleges; faculties? Are you servants or leaders?

"I do not believe you can simply suggest that techniques of business management can be transposed into the academic community. Indeed, we in business might learn a bit from universities."
Jim Seitz

DR. PELTASON: I think the answer is all of the above. It needs to be remembered that we are talking about a non-hierarchical institution. There is not a chief executive officer in the corporate sense. We are talking about a structure that was deliberately designed to diffuse, fragment, and to divide up authority. The president of a university is not in command, nor is the board of trustees, except in the legal sense. It is in that kind of environment you are talking about leadership. It takes different skills to be effective and efficient in such a structure than in one in which the commands go from the top down.

MR. SEITZ: We are both adrift on an ocean. "Do we have a course?" is the question.

DR. BRADEMAS: You do, and I have only been at it less than two years, except that I came out of a political career, so as a political scientist, I have been interested in looking back and comparing the two worlds. You are dealing with a situation in which varying constituencies press hard for limited resources; where you live in a world of conflict and controversy, where you are a champion of a cause or causes; where you have to make judgments about priorities like which disciplines will we support, which kinds of activities, facilities, student assistance, and faculty salaries will we press for; where you deal with strong egos; where you are very much a public person within the arena of your own university and therefore you have to pay attention to words and to rhetoric in the best, most literal sense.

"...you are very much a public person within the arena of your own university."
John Brademas

MR. SEITZ: Do you see a dichotomy between your authority and your responsibilities?

DR. BRADEMAS: Yes, but I have found that if you are vigorous about it and assertive about it, you really can make something happen. When I was sworn in, I listed the three major areas I thought the university ought to push hard. In my first year, I pushed hard on the first one and we raised quite a bit of money. It's a little like the American separation of powers, where if a member of Congress has a view, and if he's been around and is fairly tenacious, he can write a law and make something happen that would not have happened otherwise. That's very satisfying. You can have an impact, but you have to keep working at it all the time with this extraordinary diversity of constituencies.

DR. PELTASON: The university can better be perceived in a political, Aristotelian sense – negotiating, bargaining, partisan leading multiple constituencies – than in the command sense.

MR. FISKE: Looking at the way colleges tend to operate you see a spectrum of ways of exercising authority. You have the military at one extreme – it is basically a command form, with decisions made at the top and carried out at the bottom. The other extreme is a political model where it is essentially the power to persuade. Business is somewhere in the middle, but probably nearer the military than the political.

The problem with the people who want to take the business analogy and apply it to universities is they do not recognize that the university model really is closer to politics. The essence of faculty is the power to persuade, and in this sense, the best model is probably governors. The best presidents have been former governors, not senators, because as governors, they have had the administrative power to make decisions and to persuade people that the decisions they have made are good.

MS. FUTTER: That is an excellent analogy, in terms of the spectrum of different possibilities. The real difference is in process: You can persuade; you can make things happen. The investment in time and in process is enormous. It is a matter of dealing with your students and it is a matter of dealing with the public. The processes do yield a kind of harmony that is enormously collegial in the best sense; but the investment in time is real.

DR. MEYERSON: The University of Pennsylvania and a few other places in recent years have tried a different kind of

"The problem with the people who want to take the business analogy and apply it to universities is they do not recognize that the university model really is closer to politics."
Edgar Fiske

budgeting system from the ordinary one. At Pennsylvania, we set up a decentralized system whereby every dean was responsible both for income and expenditures. It was not a profit system in that it had very different ends. Deans had to prove themselves in terms of accomplishments and not by abolishing areas for which there was a modest market. The aim is to simulate a marketplace within a university with excellence as the intent.

MR. SEITZ: To what degree do you practice matrix management? For example, your vice president of finance has the job of worrying about what is happening in the Medical School, what is happening in the College of Law, what is happening in the College of Engineering. But that person does not have responsibility to determine how those particular units will be run.

DR. MEYERSON: It varies with the institution. At Pennsylvania, where the Wharton School is one of the great precursors of thinking on the matrix system, we lean heavily in that direction. Increasingly, we find American colleges and universities have adopted matrix systems, whether or not they call them that.

MS. FUTTER: There is a "Catch-22" in all this. On one hand, one is enormously tempted to say that management in academe is analogous to that in business in the sense that what you are trying to do is facilitate certain outcomes. Where it falls off the track is that the outcomes are so different in nature. In business, at least arguably, one is looking at a kind of bottom line. In academe, the bottom lines are just so different. Whether a faculty is truly illustrious, whether it teaches well and publishes, whether the students have come out with the enhancements that you hope they have – it is not easily measurable and it is not quantifiable in the same sense and perhaps should not be.

It is also worth highlighting that there are whole areas in academe where administration is not in the hands of the chief executive officer. When it comes to matters such as curriculum, it is the faculty that is essential.

Academe is also very much subject to trends. In the late Sixties when the world was very political in nature, committees were formed all over our campuses and faculty got very deeply involved in administration. A decade later, the enthusiasm waned. As we come into a period of likely retrenchments in American higher education, you could pretty well guess that there would be renewed faculty interest in administration.

"In business, at least arguably, one is looking at a kind of bottom line. In academe, the bottom lines are just so different."
Ellen Futter

What is relevant, thus, is that academe can borrow certain approaches and techniques from business, whether it be long-range planning or matrix systems or management-by-objective; we can learn from that, but it is not a perfect comparison.

DR. PELTASON: American colleges and universities have some autonomy, but they are part of the society. If we had this meeting in 1969 or 1970, we would be talking about students all day. We would have talked about student power, how much of a role the students should have in the government of the university.

If we had the Roundtable in the 1960's, we would have been talking about the threat of closing college doors and the need to expand university capacity and provide access for more people. Nowadays, we talk about retrenchment. Earlier we talked about affirmative action, individualized curriculum, less structure, more independent study. Now we are talking about more requirements, more structure, more cohesion to the curriculum.

I do not want to minimize the role of leadership, but I think it is an exaggeration to believe that the president, especially of a complex institution, calls the tune. Perhaps in a smaller institution, the president can more effectively set the tone.

MR. SEITZ: What is possible? Is it the role of the heads of universities to define the culture for their particular university?

DR. PELTASON: Set the tone, get the culture, get the right deans, get the right vice-presidents, look over the process, get the money, deal with the trustees, explain to the general public, create the environment, put things on the agenda.

MR. FISKE: Establishing the issues. Everytime I wrote an article about Harvard's core curriculum, about ten people would write saying, "You dummy, we've been doing this for years." The point was that Harvard came up with nothing with its curriculum and ended up with a watered-down version of the Red Book.

But they established the agenda of looking at the curriculum.

They, in effect, said very conspicuously, this is something new so everybody, every college around with a decent liberal arts faculty went through the depressing process of looking at their general education program. To me, it was very depressing exercise because I spend a lot of time trying to find interesting new ideas about general education.

"Is it the role of the heads of universities to define the culture for their university?"
Jim Seitz

DR. PELTASON: Industry is innovative, but fundamentally different from liberal arts colleges. Isn't it true that small businesses are likely to strike out with some startling differences from large corporations?

MR. SEITZ: The one parallel I can draw is that there are a number of very significant companies in America that periodically roll the net worth of their company for the future. IBM is given that credit. They decide what generation of computers and what technology they are going to lock into and roll their entire net worth. The Boeing Company is that type too. But I do not know that it is the role of the university to "roll its net worth."

DR. PELTASON: I can cite examples of small colleges that made the decision to fundamentally alter their character.

DR. MEYERSON: In a large complex university the time demands on a president are far greater than for any other calling I know except for running complex political units such as the State of California. There are as many constituencies as we have in political life. When we get into all of the managerial activities, of all the efforts to keep competing groups within the university satisfied, and of the governmental relations roles that are added, demands are created and are almost impossible to achieve by a single person. Yet the very nature of the pressures is such that there is a tremendous amount that cannot be delegated. You cannot delegate, for example, dealing with alumni. This creates a kind of demand that is sad because, among other things, it leads presidents away from dealing with the substance of education.

MS. FUTTER: One of the questions that would be germane here is, "Are those kinds of pressures comparable to those a CEO in the business community faces? Is it the same pressure, the same sense that no matter how effectively you touch base with the multitude of constituencies you have, there is some place that you are not at the moment?"

DR. PELTASON: We recruit college and university presidents not because of their management ability. They are selected because of their ability to pass other kinds of tests. Then, we put them in charge of very complex organizations where they are responsible for making decisions that affect millions of dollars. The question is, "Can we afford these days to have amateurs managing these complex institutions?" My answer is "yes." I would be very much against any fundamental alteration of the system by which we select university and college administrators.

"We recruit college and university presidents not because of their management ability."
Jack Peltason

MR. FISKE: What is the ideal preparation?

DR. PELTASON: Up through the ranks. We generally select our presidents from the faculty. There is a sifting process, but before being seriously considered for an administrative post in many, if not most, colleges and universities, one has to win his or her spurs as a faculty member.

MR. SEITZ: If a businessman became a college president today he might ask "What is my break-even point? I have all of these fixed costs and am potentially faced with the diminution of funds and/or the exposure to become an International Harvester. Do I have that exposure? Or is there something out there that causes me not to worry?"

MS. FUTTER: The outcomes are different. If you were to ask us, "Is a college or university president more like being the CEO of a business enterprise or the mayor of a town or city, albeit tiny?" – it is much more like being a mayor. You are not responsible just on the financial side of things, but for health and well-being – even happiness.

"...a college or university president [is] more like being a mayor.... You are not responsible just on the financial side of things, but for health and well-being – even happiness."
Ellen Futter

DR. MEYERSON: The times have changed. Ten to 15 years ago, a very significant part of American higher education was asking that very question. A fair number of insitutions either ceased to exist or shifted over from being private to public.

The question is, "Were you going to go broke?"

DR. BRADEMAS: So you are saying that the financial aspect, the one point similar to the business world, is that we have to be able to keep the institution fiscally stable.

DR. MEYERSON: And we learned to do it under the great adversity, within these past years. All kinds of institutions where the claims were made that they were not going to survive until 1980 have survived to 1980 and beyond because of ingenuity on the part of leaders.

DR. PELTASON: Survival is certainly a bottom line test, but that is not sufficient.

MR. SEITZ: I am not trying to impose or superimpose business technology on running a university. But in this day and age is it wise, necessary or applicable to deal with such thoughts as "Would we have ever believed International Harvester would have lost their market five years ago?"

DR. BRADEMAS: Yes! You have to deal with financial viability and the types of questions and thoughts that come along are: "Since we are located in this particular community, what is the demographic pattern and which other institutions are competing for students like ours? What is our tuition? If we give this much compensation increase to our faculty, that will cost us so much. Look at our tuition and other sources of revenue. Will we be able to do that, or do we have to pay less compensation? If we go too high in our tuition increase, is there an elasticity that will adversely affect enrollments?" All of those things come into one's thinking and, perhaps unlike a corporation, one must involve the faculty and the students in a consideration of these matters, not solely because you may learn something, but you have to do it politically. You want to reach decisions after your constituents, who are not happy with them, feel they have aired their views. The likelihood of acceptance is that much higher. In that sense, there are similar, bottom line considerations, but the politics of it is quite different.

"...unlike a corporation, one must involve the faculty and students."
John Brademas

MR. FISKE: Maybe the college president, who enjoys the reverse of the corporate president who is judged by the quarterly or the annual statement, has a luxury of being able to do some long-range planning and is judged on the effectiveness of that, rather than a very short term.

MS. FUTTER: There is another difference. To oversimply for a moment, the bottom line is driven by enrollment. An institution can determine that it will remain financially viable by dropping its standards. When John Brademas considers whether NYU is to remain viable, he is saying to himself, "remain viable in the context of quality for which NYU has become known." So, financially, viability has a certain elasticity. Most of us can quite easily fill our classrooms. The test is not just to fill the classrooms and remain afloat, but to do so with quality students.

"...The test is not just to fill the classrooms and remain afloat, but to do so with quality students."
Ellen Futter

DR. ALEXANDER: I see a strong difference here. Whether you are public or private, the outcome and your success as a president depends upon the type of student you are producing. You can get all the money in the world, be the richest institution, but if your students are not producing, you are a failure. The purpose of any university is to serve students, to make them able to compete in the marketplace.

DR. PELTASON: The point was that the measure of success that we commented on here is the value the institution adds to the student's learning.

DR. ALEXANDER: Isn't that the purpose of the president? The president to me is the leader, the one that is not hard to terminate. You do not eliminate vice presidents if the institution fails. The presidents go.

DR. PELTASON: The presidents play a leadership role, but I think it is wrong to feel that the president is the university.

DR. ALEXANDER: When I say the president is the university, he or she is the one that is accountable. He is "where the buck stops."

MR. FISKE: Are you aware of any trends in university management at the moment?

DR. MEYERSON: Yes, I think there is a trend toward mathematical models and, incidentally, accounting firms in some cases will be involved in these efforts. How successful those models are going to be, I do not know. In terms of people who are presidents, it is rather hard to find many examples of those who see their mission as intellectual and educational, partly because of these other demands made upon them.

MR. SEITZ: Do you think we will see more people like Dr. Brademas or more like Irving Shapiro, president of the University of Michigan?

DR. MEYERSON: Something is going to happen that has been resisted. In large institutions, there is going to be more top management depth. For example, MIT is bringing in David Saxon, head of the University of California, to be the full-time chairman of the board. We are beginning to build a kind of central office with four or five key people in a way that we have not had before. You can say it is an industrial model, but it is going to be more complex than that. It is going to include on the inside a greater division of labor on the educational side and on the financial and on other internal tasks. There will be the external tasks to perform, not only with alumni, corporations and others, but with government. I think we will end up with more institutions that have four, five or six key people in top roles with more status and influence than they have had and I think it will help make the management of the large university and college more realistic.

DR. PELTASON: I would modify that slightly. I think it is going to happen, but probably not by the MIT model. Rather, presidents will continue to come from the traditional backgrounds and be selected by a process in which the

"When I say the president is the university, he or she is the one that is accountable."
Benjamin Alexander

faculty have a veto. But that president, once selected, will be surrounded by more specialized, management-type people. There will be a financial VP and other management specialists who will be given more attention and more authority within the university administration than was the case in the past.

"...presidents will continue to come from the traditional backgrounds.... But ...will be surrounded by more specialized, management-type people."
Jack Peltason

MR. REDEL: I am not a president of a university and I look at these things perhaps in a more pragmatic way. With inflation and other problems, there has come a need for a change in the type of education young men and women are getting today. For a while the Harvard, MIT, Princeton, Yale and NYU presidents are going to retain their presence in the old traditional ways, surrounded by teams that are solving the problems of "let us try not to confront him (the president) with financial problems so that he can create better faculties, students and a more progressive curriculum." But these backup teams are going to find that there are smaller universities which have not yet obtained the same image and must survive. They are going to go out and create the type of curriculum that society wants and that the industries in the United States and abroad need and want. They are going to create the kind of teaching and the type of courses that will create graduates in new fields. In terms of what they can achieve financially, they will attract students who are less and less desirous of gaining traditional knowledge, but who are more desirous of making money and attaining, as fast as possible, financial security and success. The biggest problem that presidents are going to have at the university level is that the public school and high school levels are going to become one of the main bases for the survival of the university.

"The biggest problem that presidents are going to have...is that the public school and high school levels are going to become ...bases for the survival of the university."
Irving Redel

DR. MEYERSON: A colleague of mine and I are running a large study of what corporations do on their internal education and training. In large measure, the firms engage in these efforts because they are dissatisfied with what they are getting from universities and colleges and, to some degree, because they recognize that they are dealing with matters that universities and colleges cannot. The scale of those programs is huge.

MR. REDEL: I was responsible in helping to create the Commodity Futures Center at Columbia University Graduate Business School. It was purely accidental. One of my daughters went there for an MBA and one day I asked her if, through all her courses, she had ever heard the words "commodities" or "futures" and she said, "No." It was an industry that at that time in New York City alone employed

approximately 25,000 people. The average salary of anyone who was a performer, even without a college degree, was above the average earnings of graduates of colleges, even some with MBA's. The same thing applies to Chicago, where the commodities business is perhaps the largest employer in the State of Illinois. Still, there are no universities that have a serious and advanced curriculum in the field. Here is an industry that is growing at a very fast rate. Even after the big silver and gold markets of 1979 and 1980, very few universities tried to prepare themselves to teach courses in commodities, and to attract interested parties.

MR. SEITZ: I get a sense from what I heard today that all people associated with colleges and universities by definition feel they are in a long-run activity, that it is an ad infinitum kind of a process and there is comfort that you take in that. You or your people invest large sums of money in fixed facilities that are going to be there for a long period of time. Yet, I am a bit confused when we talk about whether long-range planning or strategic planning relate to a college or university.

We heard Mr. Redel saying implicitly "...universities, it's your job to get out in front of that problem and create these things to service the business community and the commerce community." Where does this all put us?

DR. PELTASON: Mr. Redel's comments are quite relevant to your question. My experience has been that the more established institutions are less inclined to look for new markets than those that are less well-established. But regardless of the type of institution, there is always tension, especially within professional schools, between the teaching faculty and the practitioners. Practitioners complain that the universities are not turning out people who can deal with real problems. Faculty insist that they are not running a trade school. The answer is somewhere in between. The university should not educate people for specific jobs who are upon graduation ready to go without additional on-the-job experience. On the other hand, the university cannot ignore social needs.

Universities do change, but they change slowly. It is like watching the grass grow. If you look at your yard every day, it appears that nothing is happening. But if you come back at the end of the week, something has happened. Business schools today are different from what they were ten years ago. Engineering colleges are changing in response to social pressures.

"Universities do change, but they change slowly. It is like watching the grass grow."
Jack Peltason

MR. REDEL: That is correct. Why not induce some of the important people in different industries into the university level. I am sure that many successful and knowledgeable business people would be willing to come and spend one or two days a month at the university.

"Why not induce some of the important people in different industries into the university level..."
Irving Redel

PRODUCTIVITY IN HIGHER EDUCATION

MR. SEITZ: We have touched on productivity in at least one or two ways, in mathematical modeling and computerization. We should talk about general productivity in universities. What do you think your opportunities are in the use of new technologies for productivity improvement? Is this anything that is an anathema to scholars or is this an idea whose time came a long time ago and we had better start working on it?

DR. PELTASON: It is an idea whose time has come. New technologies will increase our productivity, but it will add to our costs. It is similar to the effect of books. Imagine trying to educate people without books and having to rely only on live teachers. With libraries, we added greatly to our efficiency. You can learn at your own leisure and do not have to wait for the teacher. But, libraries did not reduce our costs. New technologies are going to permit us to do our jobs better. Higher education is skeptical about new technology. They remember how television was oversold after World War II. We were told that, with television, we could get more people at less cost. It was pushed by administrators onto reluctant faculty who did not know how to use it well.

"New technologies will increase our productivity, but it will add to our costs."
Jack Peltason

This time, I believe that the computers will make a significant difference. They are being used in many courses. They have made it possible for colleges and universities to register students, meet payrolls, and run libraries.

MR. SEITZ: Touche Ross has had a number of successes as a firm dealing with some of the administrative systems at universities, basic operations like student unions and dormitory management. We have also, for example, helped the University of Nebraska save substantial monies through changes in benefit plans and in their overall management.

DR. MEYERSON: There is no question that, in the ancillary activities in colleges and universities, we want to have the highest direct ratio of output to financial input, whether it is a residence hall or a dining service or whatever. But, when we get to the basic functions of a university, teaching and research, then the terms must become different.

The easiest way to appear to increase productivity in a college or university is to increase the ratio of students to teachers. If there are few teachers and many students, then there will be

an input-output ratio that will appear to be extraordinarily favorable.

If you believe – as I believe – that small classes are critical for learning, then you would essentially be unproductive in having a very high ratio of students to teachers.

DR. PELTASON: I think that is excellent, but I do not think it is enough for us in higher education merely to respond that we cannot be more productive. The fact is that we will always have limited resources and we will have to use them effectively. I agree that small classes are desirable, but often we find professors lecturing to a small class.

If we can use modern technology and, instead of having 100 faculty, do the same amount of teaching with 99 or 98, then we will have money for other instructional purposes. New technologies should make it easier to get access to information. We will not have to keep making additions to libraries. We need to demonstrate that we are not resisting new advances and insisting on doing everything as we have always done it.

MR. FISKE: Do you know anyone that has done that effectively?

DR. PELTASON: Research libraries are now being tied together by computers. We no longer have each library cataloguing its own books. We have networks of research libraries. Computerized instruction is being used to supplement many classes.

MS. FUTTER: I'd like to comment on an earlier point that at least part of the responsibility for generating new sources of revenue lies within the institutions themselves. For example, one of the things that we have done, and we have not been unique in it, is to take a look at our facilities and to say that we just cannot simply let our plant sit here during the summer. Now, by making our physical facilities available and putting them to work during the summer, we are generating increasingly substantial revenue for us – new revenue.

"...by making our physical facilities available and putting them to work during the summer, we are generating...new revenue."

Ellen Futter

MR. FISKE: How do you do it?

MS. FUTTER: We rent out the dormitories, for example, to students, or to other academically oriented groups and conferences – consistent with our basic mission – and it has produced some net revenues that really do make a difference, and we project that it will do so on a continuing and increasing

basis. I think we will find that, as academic institutions turn their heads to thinking about these things, there will come interesting new ideas. Whether they will all be as fruitful as using facilities during the summer session remains to be seen.

I want to come back to some of the comments on the computer. I do not think there is any question that the computer will help on the administrative side in terms of productivity and efficiency, though I would quite agree that it probably is not going to save anybody any money. On the academic side, we are really in an interesting dilemma. We are all extremely aware that the computer is something that will increasingly be part of our curricular offerings – "mainstreamed" through our curriculum. What we face right now, though, is a rather interesting problem. We are confronted in the immediate term with a generation of students who are for the most part functionally "computer-illiterate" and who need a kind of intensive training, much like the training we were talking about for the broader population this morning.

Right behind that generation, however, is the next one which will be very computer-literate. They will need an entirely different type of training, and when you talk about productivity, you are also talking about investments. One of the questions that we all face is, "What is the proper investment today for both today's students and tomorrow's students in an area like computers where the gap between those two sets of students is enormous?"

MR. SEITZ: It is potentially compounded by the fact that the computer-illiterate students will no longer have to be literate by virtue of the technological changes that are coming out of computers.

MS. FUTTER: And how do you factor in that students will come to our schools in the years ahead not only with their stereos and their typewriters, but also their microcomputers? I remember the psychology laboratory: When I took the same psychology course as a student at Barnard today, I had my rat and its cage. Now, in that same laboratory, there is the rat and the cage and right by its side is the microcomputer. That makes an incredible difference.

DR. PELTASON: I expect you accountants to help us, especially those in public institutions. The very accounting procedures used in public higher education create disincentives to make sensible choices. Money is allocated

"The very accounting procedures used in public higher education create disincentives to make sensible choices."
Jack Peltason

for faculty or for equipment and there is no incentive to make choices. In addition to line-item budgeting, there is fiscal year budgeting in which the incentives are to spend it all during the year because otherwise it reverts back to the state.

MR. SEITZ: The most inane thing in all of accounting is having line-item budgets for people who you are holding responsible for an operation. Now, my understanding is that the State of Michigan is one of the few states that does not impose line-item budgeting on their state-supported universities.

DR. PELTASON: That is correct. But the University of Michigan is one of the few institutions with such autonomy. The trend is the other way, toward more external controls.

Independent colleges face many problems as we move into the period of declining undergraduate enrollments, but they do have more flexibility in the management of their own resources than do the public institutions with centralized, line-item systems.

MR. SEITZ: I totally agree. We should somehow, singularly or collectively, mount an effort to cause the powers that be in this nation to understand that it is contrary to what we are trying to accomplish.

DR. PELTASON: If we could sit down and take advantage of your prestige, creditability, and expertise, you could help us. When those of us from higher education try to explain to governors, state legislators and budget officers that their rules and regulations are burdensome, they believe we are merely trying to get exempt accountability – rules relating to travel, for example. Because one professor out of 5,000 is found to have cheated, we get regulations that require more paper work and cost taxpayers more than if we could use the same kinds of controls as private institutions, such as spot checking.

My understanding is that, in Michigan, because of the constitutional independence of the University, the legislature makes lump-sum appropriations to the Board of Trustees. On the other hand, we should not exaggerate the difference. An institution may have complete authority to spend the money as it wishes, but it has to go back to the legislature next year for funds, and if it spends them in a manner contrary to the wishes of the legislature, its constitutional independence will not help it get more money the next year.

MR. SEITZ: That is not all that bad, is it? That is accountability for your funds.

"The most inane thing in all of accounting is having line-item budgets for people who you are holding responsible for an operation."

Jim Seitz

DR. MEYERSON: It is far easier to compare the P&L statement and the balance sheet of companies than it is to do the equivalent in colleges and universities. The practices differ so much. It makes any kind of comparison in some areas almost impossible, so that is one area where help is needed.

Jack Peltason was suggesting giving a certain amount of latitude to a managerial group and making sure that they are accountable after the fact, not before the fact.

DR. PELTASON: One thing we have always fallen down on in the world of higher education is how to measure outputs. We know what everything costs, but not what it is worth. Every time we try to measure the value of what we do, it has not been successful. We have placed quantitative measures on that which cannot be quantified. How do you measure the value of a poem? We can find out how much a professor costs and how much per unit to teach classes, we even have comparable prices for classes, but no way to determine whether those that cost more are worth more. The only output measures that we use are class contract hours.

This lack of output measures makes it more difficult to explain to donors and taxpayers how their money has been spent. We explain that we have done great things with their dollars, but we cannot document it with precision.

It is not clear to me whether it would be worth all the effort it would take to be able to document the value of what we do with more precision.

MS. FUTTER: I am concerned that in the conversation on productivity we have underestimated or underplayed the value and importance of inter-institutional cooperation. It does exist and it is something that I think we will come to see more of, albeit within limits. When we talk about things like computers, we are going to be talking about centers of excellence that are shared by groups of, clusters of, institutions. There are examples of inter-institutional cooperation today. Barnard-Columbia is one such example that does work successfully in maximizing opportunities, if not always in saving money, but also in doing that. You see it in the five-college system in Massachusetts and there are other examples of it as well. I suspect that that is something we will see more of and that we will see it relating not just among comparable types of institutions, but maybe even public and private institutions, perhaps with the prodding of the state, or even among enterprises in academe and those in business.

"One thing we have always fallen down on in the world of higher education is how to measure outputs. We know what everything costs, but not what it is worth."
Jack Peltason

The question is going to be how those are formulated and how they are lined up in ways that make sense.

DR. PELTASON: Another illustration: it was not too long ago that if you were not on a campus that had a major library, in many fields you were at a disadvantage. Institutions with the best libraries got the best scholars. But with the new technologies, being close to the library is going to be no more an advantage than being next door to the telephone company.

MS. FUTTER: I would be interested in knowing what the Touche Ross views would be on this, what the possibilities for cooperative arrangements with business are in education? What seem to you to be the likely candidates from a business point of view.

"...there is an enormous amount to be gained by people in industry comingling with faculties.... Because conceptualization does not – cannot – over time, totally come out of practically..."
Jim Seitz

MR. SEITZ: You have to break that down into a number of pieces. If you take the high-technology businesses, I believe we are going to have crossruff educational opportunities. Some of the research capabilities that we have in our high-tech companies should be available for the students to touch, feel and learn from. Similarly, and I may sound a little bit like a non-businessman in this comment, I believe "there is an enormous amount to be gained by people in industry co-mingling with faculties of institutions who have an academic bent as opposed to a practical bent. Because conceptualization does not – cannot – over time, totally come out of practicality."

As you know, in the professional schools we have a reasonable degree of crossruff, but perhaps not nearly as much as we should have. What I do not think we are doing well enough is to match-merge the educational requirements we have in our professions with the educational capabilities in our higher institutions. I have 600 people that work for me in our New York office, each of whom by requirement has to have a minimum of 40 training hours a year, some of which are prescribed, some of which are not prescribed. That is an enormous market. I can tell you I do not think we are doing that cost effectively.

DR. PELTASON: In the Business-Higher Education Forum, we had a session on corporate training. We asked, "Why are corporations spending so much on training?" "What do they find lacking in the formal educational structure?" We found, among other things, that often what is available is not known, and the fault is often because institutions of higher education fail to get this information out. A case was brought to our

attention where a corporation went to a big university and asked if they could provide a certain course for its employees. The answer was, "No, we teach that class on Monday, Wednesday, and Friday at 9:00 a.m." Clearly, they asked the wrong person at the university or, if you wi[illegible], the university had the wrong person answer it.

MR. SEITZ: As I see the present and the future, my biggest problem as a manager of professionals is going to be the following: I am going to be inundated with a group of high-tech people who have been trained in quantitative disciplines ad infinitum. They are going to come into our firm and the odds are 98 out of 100 they are going to do a superior technical job. We will then reward them with the responsibility to manage other people and get that technical job done. We will find that some of them will begin to fall flat on their faces because they have been totally trained to take care of their own ability to do a job, not trained to get work done through others.

Then, the next stage is if they are very successful, they will become an owner and leader of the business, and then all of a sudden, by definition, they have to have peripheral vision. And by decree, they have to be listeners, logicians, planners, conceptualizers, negotiators. They have to have a sense of history, a sense of timing, and then, magically, we are supposed to bring that to the table. No educator has come to me to say, "I am going to propose a course in peripheral vision for your emerging leaders."

MS. FUTTER: Isn't that the partnership though? I mean, if you think about it, not just for your organization, isn't a partnership between business and education possible? I am speaking now for a small liberal arts college, which cannot do in certain areas what a university can do. Isn't there a partnership for business to make a rather substantial contribution in terms of technological capacity and training, and for educational institutions to provide a kind of a leavening role to cultivate humanists as well as high-tech specialists and, in a sense, isn't this just another view of the question that we raise in the medical profession, "How do we train not only doctors, but people who have some humanistic instincts?"

DR. PELTASON: One of the difficulties is that, except for Plato, nobody has been able to describe the course of study for the philosopher kings. A university can help a corporation with its training needs, but its more significant role is to help with educating those who are already highly trained. You are talking about how to provide the lifetime of continuing learning

"...isn't a partnership between business and education possible?"
Ellen Futter

that is required for a high-powered accountant or engineer or chemist.

DR. ALEXANDER: Industry has an obligation to help the universities to remain universities. Industry has a great deal of money and universities generally need financial support. Industry ought to adopt a university. There are just over 3,000 universities in the country; we have more than enough industries that could adopt universities.

"Industry has an obligation to help the universities to remain universities."

Benjamin Alexander

DR. PELTASON: I think we ought to call it marriage instead of adoption.

DR. ALEXANDER: It is something different when you are not equal in financial resources and we are not equal to industry, so I would like to see industry adopt.

CONCLUSION

MR. SEITZ: Panel, are there any words in summary?

MS. FUTTER: By way of summary, we have really focused on three questions. First, how do you go about educating a populace for a democracy in what is an increasingly technological world? Second, what are the basic mechanisms for financing higher education in the years to come? And, third, how is it that we create an appreciation of the role of higher education throughout this land in terms of not only the things that it has always been appreciated for traditionally, but also in today's terms, in the context of national security and the economic picture.

I would just add to this that I think that it is terribly important that we also keep in mind that the institutions of higher education also provide a haven for free inquiry and the pursuit of truth – and that they help set a moral and ethical tone in this country. We cannot afford to lose those basic principles.

DR. MEYERSON: Inevitably during the day we have had all kinds of questions for further attention. We just began to get into the question as part of our supply/demand discussion of who benefits and who pays and how much social benefit comes from education, how much individual benefit, and of what kind of saddle point might appropriately be reached between gains that the individual recipient has as against gains that the graduate contributes to society. It is a vexing question but one that will come more and more to the fore in the years ahead.

One of the hallmarks of higher education has got to be the qualitative side more than the quantitative. It is the qualitative, intellectual, moral concerns that matter the most: the advancement, knowledge and edification of the next generations.

MR. SEITZ: In closing, let me first of all thank you very much for taking the time to participate in this Roundtable.

From our discussions here today, we have a great deal of food for thought. It is quite impossible to take something as complex as the world of managing higher education, and in one day discover insights never revealed before. But perhaps we have made a limited contribution to that goal with a clearer understanding of the technological, financial and qualitative issues higher education faces today.

"It is quite impossible to take something as complex as the world of managing higher education, and in one day discover insights never revealed before. But perhaps we have made a limited contribution to that goal...from our discussion of the technological, financial and qualitative issues higher education faces today."

Jim Seitz